

**REPORT OF THE AUDIT OF THE  
CHRISTIAN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**



**ADAM EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Steve Tribble, Christian County Judge/Executive

Members of the Christian County Fiscal Court

The enclosed report prepared by Mountjoy Chilton Medley, LLP, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Christian County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Mountjoy Chilton Medley, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Mountjoy Chilton Medley, LLP evaluated Christian County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen

Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CHRISTIAN COUNTY FISCAL COURT**

**June 30, 2011**

Mountjoy Chilton Medley, LLP has completed the audit of the Christian County Fiscal Court for fiscal year ended June 30, 2011. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Christian County's major federal program: Community Development Block Grant (CFDA 14.228 and 14.255).

#### **Financial Condition:**

The fiscal court had total net assets of \$31,587,427 as of June 30, 2011. The fiscal court had unrestricted net assets of \$11,136,661 in its governmental activities as of June 30, 2011, with total net assets of \$31,447,588. In its business-type activities, total cash and cash equivalents were \$55,768 with total net assets of \$139,839. The fiscal court had total debt principal as of June 30, 2011 of \$21,457,031 with \$1,707,006 due within the next year.

#### **Report Comments:**

2011-01 The Fiscal Court Is Required To Pay For Purchases Within Thirty Working Days

#### **Deposits:**

As of June 30, 2011, the fiscal court's deposits were insured and collateralized by bank securities.



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Mountjoy  
Chilton  
Medley

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Steve Tribble, Christian County Judge/Executive  
Members of the Christian County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of Christian County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Christian County Fiscal Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Christian County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Christian County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

Christian County, Kentucky adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. GASB No. 54 redefined how fund balances of the governmental funds are presented in the financial statements (Refer to Note 1(H) for a description of GASB No. 54 reporting).

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Steve Tribble, Christian County Judge/Executive  
Members of the Christian County Fiscal Court

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 55 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Christian County, Kentucky's basic financial statements as a whole. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information, is fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2012, on our consideration of Christian County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comment:

2011-01 The Fiscal Court Is Required To Pay For Purchases Within Thirty Working Days

Respectfully submitted,



Mountjoy Chilton Medley, LLP  
February 6, 2012

**CHRISTIAN COUNTY OFFICIALS****For The Year Ended June 30, 2011****Fiscal Court Members:**

Steve Tribble	County Judge/Executive
Mark Cansler	County Magistrate
David Collins	County Magistrate
Terry Bowman	County Magistrate
James Fleming	County Magistrate
Edwin Long	County Magistrate
Rudolph Pettus	County Magistrate
Tom Jones	County Magistrate

**Other Elected Officials:**

J. Michael Foster	County Attorney
Bradley Boyd	Jailer
Mike Kem	County Clerk
Gary Haddock	Circuit Court Clerk
Livy Leavell, Jr.	Sheriff
Angela Strader	Property Valuation Administrator
Dorris Lamb	Coroner

**Appointed Personnel:**

Walter Cummings	County Treasurer
Ruth Mason	Assistant County Treasurer
Nita Leavell	County Finance Officer



EXECUTIVE OFFICES

## CHRISTIAN COUNTY

STEVE TRIBBLE  
COUNTY JUDGE EXECUTIVE

515 WEBER STREET  
HOPKINSVILLE, KENTUCKY 42240

TELEPHONE  
270-887-4100  
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### **Management's Discussion and Analysis June 30, 2011**

The financial management of Christian County, Kentucky offers readers of Christian County's financial statements this narrative overview and analysis of the financial activities of Christian County for the fiscal year ended June 30, 2011.

#### **Financial Highlights**

- Christian County had total net assets of \$31,587,427 as of June 30, 2011. The fiscal court had unrestricted net assets of \$11,136,661 in the governmental activities as of June 30, 2011, with total net assets of \$31,447,588. In the business-type activities, cash and cash equivalents were \$55,768 with total net assets of \$139,839. Total debt for governmental activities principal as of June 30, 2011 was \$21,457,031 with \$1,707,006 due within one year.
- The governmental activities' total net assets increased by \$2,174,012 from the prior year. This increase is primarily due to unanticipated receipts and debt reduction that was greater than depreciation of the capital assets.
- At the close of the current fiscal year, Christian County governmental funds reported cash and cash equivalents of \$9,808,819. Of this amount, \$8,043,802 is available for spending at the government's discretion (unassigned fund balance).
- Christian County's total indebtedness at the close of fiscal year June 30, 2011 was \$21,457,031, of which \$19,750,025 was long-term debt (due after 1 year) and \$1,707,006 was short-term debt (to be paid within 1 year). Debt additions were \$203,500, and debt reductions were \$1,920,479, for a net decrease of \$1,716,979 for the year.

#### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Christian County's basic financial statements. Christian County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

**Christian County**  
**Management's Discussion and Analysis**  
**June 30, 2011**  
**(Continued)**

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Christian County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Christian County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Christian County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Christian County's governmental activities include general government, protection to persons and property, general health and sanitation, roads, recreation and culture, social services, airports, debt service, and capital projects. Christian County has one business type activity - Jail Canteen.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Christian County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Christian County can be divided into broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

**Christian County  
Management's Discussion and Analysis  
June 30, 2011  
(Continued)**

**Governmental Funds (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Christian County maintains (7) seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Revolving Loan Fund
- E-911 Fee Fund
- Industrial Authority Revolving Loan Fund
- Christian County Public Courthouse Corporation

Christian County adopts an annual appropriated budget for its major governmental funds except for the Public Courthouse Corporation Fund and the Industrial Authority Revolving Loan Fund, which were not budgeted by the fiscal court. A budgetary comparison schedule has been provided for each of the budgeted funds to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the government-wide financial statements business-type activities, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

**Internal Service Funds.** Internal Service funds provide a service to the primary government. The Christian County Health Insurance Fund accounts for all the activity of the self-insurance plan.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Christian County**  
**Management's Discussion and Analysis**  
**June 30, 2011**  
**(Continued)**

**Financial Analysis of the County As A Whole**

**Net Assets.** Net assets may serve over time as a useful indicator of a government's financial position.

**Table 1**  
**Christian County's Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
<b>Assets</b>						
Current and other assets	\$ 12,602,803	\$ 11,136,661	\$ 60,480	\$ 55,768	\$ 12,663,283	\$ 11,192,429
Net Capital Assets	39,844,783	41,767,958	112,101	84,071	39,956,884	41,852,029
Total Assets	<u>\$ 52,447,586</u>	<u>\$ 52,904,619</u>	<u>\$ 172,581</u>	<u>\$ 139,839</u>	<u>\$ 52,620,167</u>	<u>\$ 53,044,458</u>
<b>Liabilities</b>						
Current and other Liabilities	\$ 1,669,670	\$ 1,707,006	\$	\$	\$ 1,669,670	\$ 1,707,006
Long-term Liabilities	21,504,340	19,750,025			21,504,340	19,750,025
Total Liabilities	<u>\$ 23,174,010</u>	<u>\$ 21,457,031</u>	<u>\$</u>	<u>\$</u>	<u>\$ 23,174,010</u>	<u>\$ 21,457,031</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	\$ 16,670,773	\$ 20,310,927	\$ 112,101	\$ 84,071	\$ 16,782,874	\$ 20,394,998
Restricted for Debt Service		1,640				1,640
Unrestricted	12,602,803	11,135,021	60,480	55,768	12,663,283	11,190,789
Total Net Assets	<u>\$ 29,273,576</u>	<u>\$ 31,447,588</u>	<u>\$ 172,581</u>	<u>\$ 139,839</u>	<u>\$ 29,446,157</u>	<u>\$ 31,587,427</u>

**Changes in Net Assets.**

*Governmental Activities.* Christian County's net assets increased by \$2,174,012 in fiscal year 2011. Key elements of this are as follows:

- Investment in capital assets and infrastructure, net of related debt increased \$3,640,154.
- Current and long-term liabilities decreased by \$1,716,979.
- General revenues were \$9,527,469 and total revenues were \$18,410,162 as reflected in the Statement of Activities
- Expenditures totaled \$16,236,150 as reflected in the Statement of Activities.

*Business-type Activities.* Christian County's net assets decreased by \$32,742 in fiscal year 2011. Key elements are as follows:

- Current assets and cash decreased by \$4,712.
- Investment in capital assets decreased \$28,030.
- Total revenue decreased by \$36,508, totaling \$542,964 as reflected in the Statement of Activities.
- Expenditures decreased \$48,718, totaling \$575,706 as reflected in the Statement of Activities.

**Christian County  
Management's Discussion and Analysis  
June 30, 2011  
(Continued)**

**Financial Analysis of the County As A Whole (Continued)**

**Table 2  
Christian County's Comparison  
of General Revenue by Source and  
Program Expenses by Function**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
<b>Program Revenues</b>						
Charges for Services	\$ 6,037,235	\$ 5,536,473	\$ 579,235	\$ 542,818	\$ 6,616,470	\$ 6,079,291
Operating Grants and Contributions	1,615,578	1,793,510			1,615,578	1,793,510
Capital Grants and Contributions	1,676,107	1,552,530			1,676,107	1,552,530
<b>General Revenues</b>						
Taxes	5,028,889	5,419,637			5,028,889	5,419,637
Miscellaneous and Other	3,901,589	4,108,012	237	146	3,901,826	4,108,158
Total Revenue	<u>18,259,398</u>	<u>18,410,162</u>	<u>579,472</u>	<u>542,964</u>	<u>18,838,870</u>	<u>18,953,126</u>
<b>Expenses</b>						
General Government	6,003,552	5,780,498			6,003,552	5,780,498
Protection to Persons and Property	5,548,516	5,356,630			5,548,516	5,356,630
General Health and Sanitation	368,374	362,980			368,374	362,980
Social Services	68,437	124,767			68,437	124,767
Recreation and Culture	363,748	337,661			363,748	337,661
Roads	1,493,536	2,688,564			1,493,536	2,688,564
Airports	28,431	35,325			28,431	35,325
Debt Service	1,851,301	844,621			1,851,301	844,621
Capital Projects	441,119	705,104			441,119	705,104
Jail Canteen			624,424	575,706	624,424	575,706
Total Expenses	<u>16,167,014</u>	<u>16,236,150</u>	<u>624,424</u>	<u>575,706</u>	<u>16,791,438</u>	<u>16,811,856</u>
Change In Net Assets	2,092,384	2,174,012	(44,952)	(32,742)	2,047,432	2,141,270
Net Assets - Beginning	<u>27,181,192</u>	<u>29,273,576</u>	<u>217,533</u>	<u>172,581</u>	<u>27,398,725</u>	<u>29,446,157</u>
Net Assets - Ending	<u>\$ 29,273,576</u>	<u>\$ 31,447,588</u>	<u>\$ 172,581</u>	<u>\$ 139,839</u>	<u>\$ 29,446,157</u>	<u>\$ 31,587,427</u>



**Christian County  
Management's Discussion and Analysis  
June 30, 2011  
(Continued)**

**Financial Analysis of the County's Funds (Continued)**

*Governmental Funds Overview.* As of the end of June 2011 fiscal year, the combined ending fund balances of County governmental funds were \$9,808,819. Approximately 77% (\$7,641,525) of this consists of unassigned fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$2,167,294) is reserved to indicate that it is not available for new spending because it is restricted, assigned or committed for certain functions.

As noted earlier, the County has (7) seven major governmental funds.

1. The General Fund is the chief operating fund of Christian County. At the end of June 30, 2011 fiscal year, unassigned fund balance of the General Fund was \$8,043,802. The County received \$5,520,742 in real and personal property, motor vehicle, and other taxes for approximately 61% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 39% of revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had a fund balance of \$58,323 at June 30, 2011. The fiscal year 2011 expenditures for the Road Fund were \$4,740,976.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2011 of \$26,716. The Jail Fund received \$4,608,374 for intergovernmental fees, primarily for housing prisoners.
4. The Revolving Loan Fund had a fund balance of \$53,602 as of June 30, 2011. These funds are used to make loans to local businesses.
5. The E-911 Fee Fund had a fund balance of \$1,093,623 as of June 30, 2011. These funds are used for 911 services.
6. The Industrial Authority Revolving Loan Fund had a fund balance \$433,981 as of June 30, 2011. These funds are held for loans to local businesses. During fiscal year 2011 the fund made one additional loan totaling \$150,000 along with a grant totaling \$199,083.
7. The Christian County Public Courthouse Corporation Fund had a fund balance of \$1,640 as of June 30, 2011.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Christian County has (1) one enterprise-type proprietary fund, which is:

- Jail Canteen Fund

**Christian County  
Management's Discussion and Analysis  
June 30, 2011  
(Continued)**

**Financial Analysis of the County's Funds (Continued)**

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2011 fiscal year, amounted to \$55,768 and total assets were \$139,839.

*Internal Service Fund Overview.* Christian County maintains (1) one internal service fund, which is the:

- Health Insurance Fund.

The Health Insurance Fund's unrestricted total assets at the end of June 30, 2011 were \$901,451.

**Capital Assets and Debt Administration**

*Capital Assets.* Christian County's total capital assets for its governmental and business-type activities as of June 30, 2011, amount to \$41,852,029 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, and construction in progress for the energy conservation project.

Major capital asset events during the 2011 fiscal year included the road operations, the purchase of several vehicles, renovation of the Senior Citizens Center and the Campbell Office Building for the Detention Center.

Additional information about the County's capital assets can be found in Note 4 of this report.

**Table 3  
Christian County's Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
<b>Assets</b>						
Infrastructure	\$ 7,192,942	\$ 8,295,183	\$	\$	\$ 7,192,942	\$ 8,295,183
Land	2,263,092	2,263,092			2,263,092	2,263,092
Buildings	28,650,383	29,149,950			28,650,383	29,149,950
Furniture and Office Equipment	490,178	497,901			490,178	497,901
Land Improvements	51,321	41,429			51,321	41,429
Vehicles and Equipment	1,196,867	1,520,403	112,101	84,071	1,308,968	1,604,474
Total Net Capital Assets	<u>\$ 39,844,783</u>	<u>\$ 41,767,958</u>	<u>\$ 112,101</u>	<u>\$ 84,071</u>	<u>\$ 39,956,884</u>	<u>\$ 41,852,029</u>

**Christian County  
Management's Discussion and Analysis  
June 30, 2011  
(Continued)**

**Capital Assets and Debt Administration (Continued)**

*Long-Term Debt.* At the end of the 2011 fiscal year, Christian County had total bonded debt outstanding of \$17,400,000 from General Obligation and Revenue Bonds. The County had financing agreements totaling \$4,057,031.

**Other Matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2012 fiscal year budget:

- The 2012 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, will have a negative impact on funding for county programs.

**Requests For Information**

This financial report is designed to provide a general overview of Christian County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided herein or requests for additional financial information should be addressed to the Christian County Treasurer, 521 Weber Street, Hopkinsville, KY, 42240.

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**CHRISTIAN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**CHRISTIAN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 10,710,270	\$ 55,768	\$ 10,766,038
Notes Receivable	74,871		74,871
Total Current Assets	10,785,141	55,768	10,840,909
Noncurrent Assets:			
Notes Receivable	351,520		351,520
Capital Assets - Net of Accumulated Depreciation			
Land	2,263,092		2,263,092
Land Improvements	41,429		41,429
Buildings	29,149,950		29,149,950
Furniture and Office Equipment	497,901		497,901
Vehicles and Equipment	1,520,403	84,071	1,604,474
Infrastructure	8,295,183		8,295,183
Total Noncurrent Assets	42,119,478	84,071	42,203,549
Total Assets	52,904,619	139,839	53,044,458
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	1,295,000		1,295,000
Financing Obligations Payable	412,006		412,006
Total Current Liabilities	1,707,006		1,707,006
Noncurrent Liabilities:			
Bonds Payable	16,105,000		16,105,000
Financing Obligations Payable	3,645,025		3,645,025
Total Noncurrent Liabilities	19,750,025		19,750,025
Total Liabilities	21,457,031		21,457,031
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	20,310,927	84,071	20,394,998
Restricted for:			
Debt Service	1,640		1,640
Unrestricted	11,135,021	55,768	11,190,789
Total Net Assets	\$ 31,447,588	\$ 139,839	\$ 31,587,427

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

**CHRISTIAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 5,780,498	\$ 245,376	\$ 1,032,851	\$
Protection to Persons and Property	5,356,630	5,291,097		
General Health and Sanitation	362,980			
Social Services	124,767			
Recreation and Culture	337,661			
Roads	2,688,564		760,659	1,552,530
Airports	35,325			
Debt Service	844,621			
Capital Projects	705,104			
Total Governmental Activities	16,236,150	5,536,473	1,793,510	1,552,530
Business-type Activities:				
Jail Canteen	575,706	542,818		
Total Business-type Activities	575,706	542,818		
Total Primary Government	\$ 16,811,856	\$ 6,079,291	\$ 1,793,510	\$ 1,552,530

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Sheriff/Clerk 25% Account

E-911 User Fees

Licenses and Permits

In Lieu of Tax

Rental Revenue

Miscellaneous Revenues

Telephone Commissions

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**CHRISTIAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (4,502,271)	\$	\$ (4,502,271)
(65,533)		(65,533)
(362,980)		(362,980)
(124,767)		(124,767)
(337,661)		(337,661)
(375,375)		(375,375)
(35,325)		(35,325)
(844,621)		(844,621)
(705,104)		(705,104)
(7,353,637)		(7,353,637)
	(32,888)	(32,888)
	(32,888)	(32,888)
(7,353,637)	(32,888)	(7,386,525)
4,041,109		4,041,109
689,670		689,670
294,921		294,921
393,937		393,937
639,815		639,815
284,612		284,612
127,850		127,850
319,924		319,924
1,929,957		1,929,957
451,102		451,102
223,946		223,946
130,806	146	130,952
9,527,649	146	9,527,795
2,174,012	(32,742)	2,141,270
29,273,576	172,581	29,446,157
\$ 31,447,588	\$ 139,839	\$ 31,587,427

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

**CHRISTIAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Revolving Loan Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,140,934	\$ 58,323	\$ 26,716	\$ 53,602
Total Assets	<u>8,140,934</u>	<u>58,323</u>	<u>26,716</u>	<u>53,602</u>
<b>FUND BALANCES</b>				
Restricted for:				
Debt Service				
Committed for:				
General Government	97,132			53,602
Roads		176,927		
Protection to Persons and Property			310,389	
Assigned for:				
Protection to Persons and Property				
Unassigned	<u>8,043,802</u>	<u>(118,604)</u>	<u>(283,673)</u>	
Total Fund Balances	<u>\$ 8,140,934</u>	<u>\$ 58,323</u>	<u>\$ 26,716</u>	<u>\$ 53,602</u>

The accompanying notes are an integral part of the financial statements.

**CHRISTIAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2011**  
**(Continued)**

<b>E-911 Fee Fund</b>	<b>Industrial Authority Revolving Loan Fund</b>	<b>Public Courthouse Corporation Fund</b>	<b>Total Governmental Funds</b>
\$ 1,093,623	\$ 433,981	\$ 1,640	\$ 9,808,819
1,093,623	433,981	1,640	9,808,819
		1,640	1,640
	433,981		584,715
			176,927
3,656			314,045
1,089,967			1,089,967
			7,641,525
\$ 1,093,623	\$ 433,981	\$ 1,640	\$ 9,808,819

**Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets**

Total Fund Balances	
Amounts Reported For Governmental Activities In The Statement	\$ 9,808,819
Of Net Assets Are Different Because:	
Notes Receivable Is Not Considered A Current Resource and Therefore, Is Not Reported in the Funds.	426,391
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	57,120,851
Accumulated Depreciation	(15,352,893)
Internal Service Fund Is Used By Management To Charge The Cost Of Health Insurance To Individual Funds. The Assets And Liabilities Are Included In Governmental Activities On The Statement of Net Assets	901,451
Long- term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Due Within One Year - Bonds and Financing Obligations	(1,707,006)
Due In More Than One Year - Bonds and Financing Obligations	(19,750,025)
Net Assets Of Governmental Activities	\$ 31,447,588

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

**CHRISTIAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Revolving Loan Fund</b>
<b>REVENUES</b>				
Taxes	\$ 5,520,742	\$	\$	\$
In Lieu Tax Payments	319,924			
Excess Fees	639,815			
Licenses and Permits	127,850			
Intergovernmental	1,730,851	2,313,189	4,608,374	
Charges for Services	245,376		258,686	
Miscellaneous	392,017	81,686	241,565	
Interest	115,253	1,213	468	144
Total Revenues	<u>9,091,828</u>	<u>2,396,088</u>	<u>5,109,093</u>	<u>144</u>
<b>EXPENDITURES</b>				
General Government	2,159,426			12,316
Protection to Persons and Property	359,985		4,448,652	
General Health and Sanitation	356,845			
Social Services	60,859			
Recreation and Culture	297,327			
Roads	183,208	3,953,226		
Airports	35,325			
Debt Service	446,345	258,620	520,333	
Capital Projects	1,027,987	245,226	103,500	
Administration	2,170,345	283,904	1,285,061	
Total Expenditures	<u>7,097,652</u>	<u>4,740,976</u>	<u>6,357,546</u>	<u>12,316</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,994,176</u>	<u>(2,344,888)</u>	<u>(1,248,453)</u>	<u>(12,172)</u>
<b>Other Financing Sources (Uses)</b>				
Financing Obligation Proceeds	100,000		103,500	
Transfers From Other Funds		340,000	1,022,298	
Transfers To Other Funds	(1,362,298)		(65,175)	
Total Other Financing Sources (Uses)	<u>(1,262,298)</u>	<u>340,000</u>	<u>1,060,623</u>	
Net Change in Fund Balances	731,878	(2,004,888)	(187,830)	(12,172)
Fund Balances - Beginning (Restated)	7,409,056	2,063,211	214,546	65,774
Fund Balances - Ending	<u>\$ 8,140,934</u>	<u>\$ 58,323</u>	<u>\$ 26,716</u>	<u>\$ 53,602</u>

The accompanying notes are an integral part of the financial statements.

**CHRISTIAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>E-911 Fee Fund</b>	<b>Industrial Authority Revolving Loan Fund</b>	<b>Public Courthouse Corporation Fund</b>	<b>Total Governmental Funds</b>
\$ 190,318	\$	\$	\$ 5,711,060
			319,924
			639,815
			127,850
233,719		1,375,244	10,261,377
	71,632		504,062
2,714	11,014		786,900
426,751	82,646	1,375,244	130,806
			18,481,794
			2,171,742
470,616			5,279,253
			356,845
			60,859
			297,327
			4,136,434
			35,325
		1,444,932	2,670,230
	349,083		1,725,796
		1,000	3,740,310
470,616	349,083	1,445,932	20,474,121
(43,865)	(266,437)	(70,688)	(1,992,327)
			203,500
		65,175	1,427,473
			(1,427,473)
		65,175	203,500
(43,865)	(266,437)	(5,513)	(1,788,827)
1,137,488	700,418	7,153	11,597,646
\$ 1,093,623	\$ 433,981	\$ 1,640	\$ 9,808,819

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**CHRISTIAN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

**Reconciliation to the Statement of Activities:**

Net Change In Fund Balances - Total Governmental Funds	\$ (1,788,827)
Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because:	
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities The Cost Of Those Assets Is Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay, Net of Disposals	4,257,442
Depreciation Expense	(2,334,266)
Payments received on notes receivable provide a current financial resource to governmental funds while reducing the receivable at the government-wide level; therefore, the activity has been eliminated on the statement of activities.	(71,632)
Notes Receivable Loaned	150,000
Internal Service Funds Are Used By Management To Charge The Cost Of Health Insurance To Individual Funds. The Net Revenues (Expenses) Of This Fund Are Reported With Governmental Activities.	244,316
The Issuance Of Long Term Debt Provides Current Financial Resources To Governmental Funds While Repayment Consumes The Current Financial Resources. These Transactions Have No Effect On Net Assets.	
Financing Obligation Proceeds	(203,500)
Financing Obligation Principal Payments	665,479
Bond Principal Payments	<u>1,255,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 2,174,012</u></u>

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**



**CHRISTIAN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Business-Type</b>	<b>Governmental</b>
	<b>Enterprise</b>	<b>Activities</b>
	<b>Fund</b>	<b>Internal</b>
	<b>Jail</b>	<b>Service Fund</b>
	<b>Canteen</b>	<b>Health</b>
	<b>Fund</b>	<b>Insurance</b>
	<b>Fund</b>	<b>Fund</b>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 55,768	\$ 901,451
Total Current Assets	55,768	901,451
Noncurrent Assets:		
Capital Assets:		
Vehicles and Equipment	297,430	
Less Accumulated Depreciation	(213,359)	
Total Noncurrent Assets	84,071	
Total Assets	139,839	901,451
<b>Net Assets</b>		
Invested in Capital Assets,		
Net of Related Debt	84,071	
Unrestricted	55,768	901,451
Total Net Assets	\$ 139,839	\$ 901,451

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**CHRISTIAN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Governmental Activities Internal Service Fund</b>
	<b>Jail Canteen Fund</b>	<b>Health Insurance Fund</b>
<b>Operating Revenues</b>		
Canteen Receipts	\$ 532,224	\$
Refunds/Reimbursements		1,921,547
Other Receipts	10,594	
Total Operating Revenues	<u>542,818</u>	<u>1,921,547</u>
<b>Operating Expenses</b>		
Cost of Sales	415,727	
Depreciation	28,030	
Educational and Recreational	96,141	
Health Insurance Claims		1,684,535
Miscellaneous	5,942	
Inmate Pay	2,561	
Sales Tax	25,596	
Total Operating Expenses	<u>573,997</u>	<u>1,684,535</u>
Operating Income (Loss)	<u>(31,179)</u>	<u>237,012</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest Income	146	7,304
Inmate Refunds	(1,709)	
Total Nonoperating Revenues (Expenses)	<u>(1,563)</u>	<u>7,304</u>
Change In Net Assets	(32,742)	244,316
Total Net Assets - Beginning	172,581	657,135
Total Net Assets - Ending	<u><u>\$ 139,839</u></u>	<u><u>\$ 901,451</u></u>

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**CHRISTIAN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Fund -</b>
	<b>Jail Canteen Fund</b>	<b>Health Insurance Fund</b>
<b>Cash Flows From Operating Activities</b>		
Cash Receipts From Customers	\$ 532,224	\$ 1,921,547
Cash Receipts From Others	10,594	
Cash Payments For Goods And Services	(415,727)	
Cash Payments For Educational and Recreational	(96,141)	
Cash Payments For Health Insurance Claims		(1,684,535)
Cash Payments For Inmate Pay	(2,561)	
Cash Payments For Miscellaneous	(5,942)	
Cash Payments For Sales Tax	(25,596)	
Net Cash (Used) Provided By Operating Activities	(3,149)	237,012
<b>Cash Flows From Noncapital Financing Activities</b>		
Inmate Refunds on Accounts	(1,709)	
Net Cash Used By Noncapital Financing Activities	(1,709)	
<b>Cash Flows From Investing Activities</b>		
Interest Earned	146	7,304
Net Cash Provided By Investing Activities	146	7,304
Net (Decrease) Increase in Cash and Cash Equivalents	(4,712)	244,316
Cash and Cash Equivalents - July 1, 2010	60,480	657,135
Cash and Cash Equivalents - June 30, 2011	\$ 55,768	\$ 901,451

The accompanying notes are an integral part of the financial statements.

**CHRISTIAN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Reconciliation of Operating Income to</b>			
<b>Net Cash (Used) Provided by Operating</b>			
<b>Activities</b>			
Operating Income (Loss)	\$	(31,179)	\$ 237,012
Adjustments to Reconcile Operating			
Income To Net Cash Provided By			
Operating Activities -			
Depreciation Expense		28,030	
Total Cash (Used) Provided By Operating			
Activities	\$	(3,149)	\$ 237,012

The accompanying notes are an integral part of the financial statements.

**CHRISTIAN COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**CHRISTIAN COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**

	<u><b>Inmate Account</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	<u>\$    23,245</u>
Total Assets	<u>23,245</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>23,245</u>
Total Liabilities	<u>23,245</u>
<b>Net Assets</b>	
Total Net Assets	<u><u>\$          0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included or recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Committed fund balance).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Christian County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

Blended Component Units

**Christian County Public Courthouse Corporation**

The Christian County Fiscal Court appoints the Public Courthouse Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Courthouse Corporation. Financial information for the Public Courthouse Corporation is blended within Christian County's financial statements. All activities of the Public Courthouse Corporation are accounted for within a major (debt service) fund.

**Christian County Industrial Authority**

The Christian County Fiscal Court appoints the Industrial Authority's governing board and has the ability to impose its will on the governing board. Financial information for the Industrial Authority is blended within Christian County's financial statements. All activities of the Industrial Authority are accounted for within a major (special revenue) fund.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Christian County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Christian County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Christian County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenditures of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, and payments from other counties for housing prisoners and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Revolving Loan Fund - The primary purpose of this fund is to account for Community Development Block Grant Revolving Loan proceeds. Loans are made from this fund to local businesses that meet the Department for Local Government criteria for small business loans. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

E-911 Fee Fund - The primary purpose of this fund is to account for 911 tax revenues and emergency services expenditures.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Industrial Authority Revolving Loan Fund - The purpose of this fund is to account for the activities of the Christian County Industrial Authority, a blended component unit of the county. Activity of this fund includes the repayment of small business loans made by the Revolving Loan Fund. On November 12, 2003, the Department for Local Government approved an ordinance allowing this activity.

Public Courthouse Corporation Fund - The purpose of this fund is to account for the activities of the Public Courthouse Corporation, a blended component unit of the county. The Public Courthouse Corporation issues debt to build major facilities or additions. The Christian County Public Courthouse Corporation entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. This lease/sublease agreement expires every two years.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Revolving Loan Fund, E-911 Fee Fund, and the Industrial Authority Revolving Loan Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Funds:**

The Public Courthouse Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Enterprise Fund:**

The principal operating revenue of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds (Continued)**

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Internal Service Fund**

The primary government reports the following internal service fund:

Health Insurance Fund - The Fiscal Court maintains this internal service fund to account for the health insurance provided for other funds, on a cost reimbursement basis.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county reports one agency fund, the Inmate Account is used to account for inmate fees held by the Jail until they are turned over to the Fiscal Court. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	50,000	10-75
Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	2-40
Infrastructure	25,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable. Spendable fund balances are then divided between restricted, committed, assigned and unassigned. Non-spendable is fund balance that is not in spendable form or legally or contractually required to be maintained intact. Christian County did not have any non-spendable fund balance. Restricted (spendable) amounts are restricted to a specific purpose through external constraints (creditors for loans, grantors, etc.), or amounts restricted to a specific purpose through constitutional law or enabling legislation.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

Christian County had \$1,640 of restricted fund balance. Committed (spendable) are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the county's highest level of decision making authority (ordinance or resolution); can only be removed by taking the same type of action employed previously (another ordinance or resolution); and separate commitment from the authorization to raise the revenue; and not considered legally enforceable. Encumbrances are included in the committed fund balance. Encumbrances are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (committed). Christian County had \$1,075,687 of committed fund balance, of which \$588,104 were encumbrances. Assigned (spendable) are amounts constrained by the county's intent to be used for specific purpose. Intent is expressed by the fiscal court or an official appointed by the fiscal court to carry out its wishes. Ordinance or resolution would not be required, only intent. Amount can be reassigned easily. For special revenue, capital projects, debt service, and permanent funds any amount remaining after restricted and committed are considered assigned unless a negative amount remains, then it is unassigned. For the general fund, intent must be established for assigned amount. Christian County reported \$1,089,967 in assigned fund balance. Unassigned (spendable) are residual amounts remaining for the general fund after restricted, committed and assigned is reported. The general fund should be the only fund to present unassigned fund balance unless one of the other funds is reporting a negative fund balance, then that portion would also be considered unassigned. Negative fund balance can only be applied against assigned fund balance. Once assigned is zero, any remaining negative fund balance is unassigned. Christian County had \$7,641,525 of unassigned fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require formal budgets to be adopted for the Industrial Authority Revolving Loan Fund, Public Courthouse Corporation Fund, and the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Related Organizations and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Christian County Water District is considered a related organization of Christian County Fiscal Court.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organizations and Jointly Governed Organizations (Continued)**

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based on these criteria, the following are considered jointly governed organizations of the Christian County Fiscal Court: Hopkinsville-Christian County Airport; Hopkinsville-Christian County Ambulance Service; Hopkinsville-Christian County Communication Center; Hopkinsville-Christian County Convention and Visitors Center; Hopkinsville-Christian County Economic Development Council; Hopkinsville-Christian County Public Library; Hopkinsville-Christian County Recreation Commission; Hopkinsville-Christian County Senior Citizens; and Hopkinsville-Christian County Planning Commission.

**K. Subsequent Events**

The fiscal court evaluated events occurring between the end of the most recent fiscal year and February 6, 2012, the date financial statements were issued.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The county does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Notes Receivable**

- A. The County loaned \$300,000 to Seimer Milling Company on April 1, 2010, for the purpose of financing the acquisition of certain assets. Terms of the agreement stipulate a 5-year repayment schedule at 2.5 percent interest. Records indicate that Seimer Milling Company is in substantial compliance with this agreement. As of June 30, 2011, principal balance due was \$228,475



**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 3. Notes Receivable (Continued)**

- B. The County loaned \$300,000 to Commonwealth Agri Energy, LLC on April 20, 2004 for the purpose of constructing an Ethanol production facility. Terms of the agreement stipulate a 10-year repayment schedule at 3.0 percent interest. Records indicate that Commonwealth Agri Energy, LLC is in substantial compliance with this agreement. The loan was paid in full during fiscal year ended June 30, 2011.
- C. The County loaned \$100,000 to Maintainer Corporation of Kentucky on April 25, 2006 for the purpose of financing real estate. Terms of the agreement stipulate a 10-year repayment schedule at 4.0 percent interest. Records indicate that Maintainer Corporation is in substantial compliance with this agreement. As of June 30, 2011 principal balance due was \$52,337.
- D. The County loaned \$150,000 to the Hopkinsville Industrial Foundation on April 1, 2011 for the purpose of attracting Denso Air Systems. Terms of the agreement stipulate a eight year repayment schedule at 1.50% percent interest. Records indicate that the Hopkinsville Industrial Foundation is in substantial compliance with this agreement. As of June 30, 2011, principal balance due was \$145,579.

These receivables are due to the Industrial Authority Revolving Loan Fund. Notes receivable, as of year-end for the government's individual major funds and all other funds, in the aggregate, are as follows:

	<u>Amount</u>
Short Term	\$ 74,871
Long Term	<u>351,520</u>
Total Receivables	<u><u>\$ 426,391</u></u>

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,263,092	\$	\$	\$ 2,263,092
Total Capital Assets Not Being Depreciated	2,263,092			2,263,092
Capital Assets, Being Depreciated:				
Land Improvements	125,096			125,096
Buildings	33,845,211	1,124,192		34,969,403
Furniture and Office Equipment	1,159,315	48,349		1,207,664
Vehicles and Equipment	2,909,821	572,934	(174,631)	3,308,124
Infrastructure	12,696,721	2,550,751		15,247,472
Total Capital Assets Being Depreciated	50,736,164	4,296,226	(174,631)	54,857,759
Less Accumulated Depreciation For:				
Land Improvements	(73,775)	(9,892)		(83,667)
Buildings	(5,194,828)	(624,625)		(5,819,453)
Furniture and Office Equipment	(669,137)	(40,626)		(709,763)
Vehicles and Equipment	(1,712,954)	(210,613)	135,846	(1,787,721)
Infrastructure	(5,503,779)	(1,448,510)		(6,952,289)
Total Accumulated Depreciation	(13,154,473)	(2,334,266)	135,846	(15,352,893)
Total Capital Assets, Being Depreciated, Net	37,581,691	1,961,960	(38,785)	39,504,866
Governmental Activities Capital Assets, Net	\$ 39,844,783	\$ 1,961,960	\$ (38,785)	\$ 41,767,958

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2011 was as follows: (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government: (Continued)</b>				
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 297,430	\$	\$	\$ 297,430
Total Capital Assets Being Depreciated	297,430			297,430
Less Accumulated Depreciation For:				
Vehicles and Equipment	(185,329)	(28,030)		(213,359)
Total Accumulated Depreciation	(185,329)	(28,030)		(213,359)
Total Capital Assets, Being Depreciated, Net	112,101	(28,030)		84,071
Business-Type Activities Capital Assets, Net	\$ 112,101	\$ (28,030)	\$	\$ 84,071

Depreciation expense was charged to functions of the government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 495,190
Protection to Persons and Property	180,877
General Health and Sanitation	6,135
Social Services	63,908
Recreation and Culture	40,334
Roads, Including Depreciation of General Infrastructure Assets	<u>1,547,822</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,334,266</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>\$ 28,030</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 28,030</u>

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt**

**A. Revenue Refunding Bonds, Series 2007**

The Christian County Public Courthouse Corporation (the "Corporation") was established by the County of Christian, Kentucky (the "County") to act as the agency and instrumentality of the County in acquiring, developing and financing public improvements and public projects. The Corporation issued its Christian County Public Courthouse Corporation Lease Revenue Bonds (District Court Facility Project), Series 2000, dated November 1, 2000, (the "Series 2000 Bonds") for the purpose of acquiring, constructing and furnishing a court facility and the completion of the renovation and improvement of the Christian County Corrections Center located in Hopkinsville, Kentucky.

The Corporation adopted at the direction of the Fiscal Court of the County, a resolution (the "Resolution") authorizing the Series 2007 Bonds for the purpose of paying the costs associated with the refunding and refinancing of the Series 2000 Bonds.

The Bonds are secured by a foreclosable first mortgage lien on the Project. The Bonds are also secured by the assignment by the Corporation of all its right, title and interest to a lease agreement with the County.

The Bonds in the amount of \$16,545,000 dated April 5, 2007, bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year commencing August 1, 2007, at rates ranging from 3.50% to 4.00%. The Bonds mature on August 1 of each year, in the years and in the principal amounts shown below. The balance on these bonds as of June 30, 2011 was \$13,760,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2012	\$ 516,019	\$ 925,000
2013	483,119	955,000
2014	449,083	990,000
2015	413,176	1,025,000
2016	373,301	1,065,000
2014-2021	1,176,000	6,030,000
2022-2023	111,799	2,770,000
Totals	<u>\$ 3,522,497</u>	<u>\$ 13,760,000</u>

**B. Jail Renovation**

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. On June 18, 1992, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$4,081,000 at a 5.186% effective interest rate. The terms of the financing agreement was for 25 years. The maturity date of the financing obligation is February 1, 2017. The principal balance of the obligation at June 30, 2011 was \$1,565,000. Annual debt service requirements to maturity are as follows:

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Jail Renovation (Continued)**

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2012	\$ 59,726	\$ 227,000
2013	50,279	240,000
2014	40,331	253,000
2015	29,811	267,000
2016	18,749	281,000
2017	7,103	297,000
Totals	<u>\$ 205,999</u>	<u>\$ 1,565,000</u>

**C. Sheriff's Office Renovation**

On August 15, 2003, the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$374,769 with a 20 year variable rate, for the year under review the rate was calculated at 3.991%. The financing obligation was for the renovation of the Sheriff's office. The maturity date of the obligation is May 20, 2021. This lease was paid off during fiscal year ended June 30, 2011.

**D. Sheriff's Vehicles – 2007**

On March 5, 2007, the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$84,870 at a 4.616% variable interest rate. The financing obligation was for the purchase of four vehicles for the Sheriff's Department. The maturity date of the obligation was January 20, 2011. This financing obligation was paid off during the fiscal year ended June 30, 2011.

**E. Energy Conservation Project**

On February 26, 2007 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$2,500,000 at a 3.991% variable interest rate. The financing obligation was to finance repairs and improvements to the following properties owned by the County. The properties include Courthouse, Courthouse Annex, County Jail, Sheriff's office, Road Department, and Animal Shelter. The maturity date of the obligation is January 20, 2027. The principal balance of the financing obligation at June 30, 2011 was \$2,185,000. Annual debt service requirements to maturity are as follows:

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**E. Energy Conservation Project (Continued)**

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2012	\$ 92,074	\$ 90,000
2013	88,046	95,000
2014	83,929	100,000
2015	79,585	105,000
2016	75,159	110,000
2017-2021	298,115	650,000
2022-2026	142,954	835,000
2027	5,483	200,000
Totals	<u>\$ 865,345</u>	<u>\$ 2,185,000</u>

**F. Four Vehicles**

On March 6, 2008 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$96,700 at a 4.503% variable interest rate. The financing obligation was used to purchase four vehicles. The maturity date of the obligation is January 20, 2012. The balance of the financing obligation at June 30, 2011 was \$10,700. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2012	\$ 57	\$ 10,700
Totals	<u>\$ 57</u>	<u>\$ 10,700</u>

**G. Sheriff's Vehicles - 2009**

On March 23, 2009 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$119,630 at a 4.213% variable interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is April 20, 2013. The balance of the financing obligation at June 30, 2011 was \$49,630. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2012	\$ 1,366	\$ 25,000
2013	106	24,630
Totals	<u>\$ 1,472</u>	<u>\$ 49,630</u>

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**H. Sheriff's Vehicles – 2010**

On May 11, 2010 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$75,774 at a 2.557% effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is January 20, 2013. The balance of the financing obligation at June 30, 2011 was \$50,774. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2012	\$ 1,032	\$ 25,000
2013	387	25,774
	<u>\$ 1,419</u>	<u>\$ 50,774</u>

**I. Christian County (KY) General Obligation Recovery Zone Economic Development and Refunding Bonds, Series 2010 A&B**

On June 1, 2010, the Fiscal Court issued two bonds, Series 2010A Recovery Zone Economic Development Bonds in the amount of \$2,045,000 and Series 2010B General Obligation Refunding Bonds in the amount of \$1,960,000. Series 2010A was issued for the purpose of road work to be performed on county roads and Series 2010B was issued for the purpose of refunding General Obligation Bonds, Series 1998. The Series 2010A bonds bear interest of 3.60% and the Series 2010B bonds bear interest of 2.00%. Payments are due on December 1 and June 1 of each year. The maturity date of the bonds is June 30, 2020. The balance of these bonds as of June 30, 2011 was \$3,640,000. Annual debt service requirements to maturity for the bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2012	\$ 77,740	\$ 370,000
2013	70,328	380,000
2014	62,716	390,000
2015	54,908	395,000
2016	47,048	400,000
2017-2020	94,332	1,705,000
	<u>\$ 407,072</u>	<u>\$ 3,640,000</u>

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**J. Sheriff's Vehicles – 2011**

On April 28, 2011 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$100,000 at a 4.55% effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is January 20, 2015. The balance of the financing obligation at June 30, 2011 was \$100,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2012	\$ 3,507	\$ 25,000
2013	2,369	25,000
2014	1,233	25,000
2015	95	25,000
	<u>\$ 7,204</u>	<u>\$ 100,000</u>

**K. Campbell Office Building**

On August 27, 2010 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$103,500 at a 4.55% effective interest rate. The financing obligation was used to purchase the Campbell Office Building for the Christian County Detention Center. The maturity date of the obligation is August 20, 2020. The balance of the financing obligation at June 30, 2011 was \$95,927. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2012	\$ 4,228	\$ 9,306
2013	3,785	9,576
2014	3,339	9,847
2015	2,880	10,126
2016	2,414	10,409
2017-2021	4,270	46,663
	<u>\$ 20,916</u>	<u>\$ 95,927</u>



**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**L. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 4,005,000	\$	\$ 365,000	\$ 3,640,000	\$ 370,000
Revenue Bonds	14,650,000		890,000	13,760,000	925,000
Financing Obligations:					
Kentucky Association Of Counties Leasing Trust Program	4,519,010	203,500	665,479	4,057,031	412,006
	<u>\$ 23,174,010</u>	<u>\$ 203,500</u>	<u>\$ 1,920,479</u>	<u>\$ 21,457,031</u>	<u>\$ 1,707,006</u>

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.83 percent. The county's contributions for the years ended June 30, 2009, 2010 and 2011 were \$429,889, \$495,217 and \$526,851 respectively, and were equal to the required contributions each year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

On December 19, 2000, the Christian County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2011, Christian County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Health Insurance**

Christian County Fiscal Court elected to begin a partially self-funded health insurance plan for fiscal year ended June 30, 1998. This partially self-funded insurance plan covers all county employees, and the county pays for each county employee's individual coverage. Christian County contracted with Anthem Blue Cross and Blue Shield to administer the employee benefit plan for the 2007-2010 fiscal years.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 9. Health Insurance (Continued)**

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Incurred fixed costs for fiscal year ending June 30, 2011 were \$434,543. The second component is the claims cost, all of which Christian County is responsible to pay as they incur. Once an individual exceeds \$50,000 in claims or the County's aggregate claims exceed the predetermined maximum, the County will receive a reimbursement credit from the reinsurance carrier. Incurred claims for fiscal year ended June 30, 2011 were \$1,249,992. Christian County Fiscal Court's contract with Anthem Blue Cross and Blue Shield has no terminal liability provision and the Court is responsible to pay all run-out claims after termination. The Health Insurance Fund had a balance of \$901,451 as of June 30, 2011.

**Note 10. Change in Accounting Principle**

Christian County, Kentucky adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. GASB No. 54 redefined how fund balances of the governmental funds are presented in the financial statements (Refer to Note 1(H) for a description of GASB No. 54). The adoption of GASB No. 54 redefined what could be considered a major fund, for the current year the Local Government Economic Assistance Fund (LGEA) has been included with the General Fund as the LGEA fund did not meet the qualifications to be a separate fund.

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**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**For The Year Ended June 30, 2011**



**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 5,340,171	\$ 5,340,171	\$ 5,520,742	\$ 180,571
In Lieu Tax Payments	312,414	312,414	319,924	7,510
Excess Fees	430,000	430,000	639,815	209,815
Licenses and Permits	119,543	119,543	127,850	8,307
Intergovernmental	3,261,234	3,261,234	1,546,585	(1,714,649)
Charges for Services	290,233	290,233	245,376	(44,857)
Miscellaneous	155,620	155,620	392,017	236,397
Interest	107,945	107,945	115,175	7,230
Total Revenues	<u>10,017,160</u>	<u>10,017,160</u>	<u>8,907,484</u>	<u>(1,109,676)</u>
<b>EXPENDITURES</b>				
General Government	2,941,544	2,950,218	2,159,426	790,792
Protection to Persons and Property	625,092	658,890	359,985	298,905
General Health and Sanitation	402,545	402,995	356,845	46,150
Social Services	79,700	88,838	60,859	27,979
Recreation and Culture	287,244	298,956	297,327	1,629
Airports	27,500	35,325	35,325	
Debt Service	208,283	451,519	446,345	5,174
Capital Projects	2,339,300	2,214,300	1,027,987	1,186,313
Administration	2,485,282	2,295,449	2,170,345	125,104
Total Expenditures	<u>9,396,490</u>	<u>9,396,490</u>	<u>6,914,444</u>	<u>2,482,046</u>
Excess Revenues Over Expenditures Before Other Financing Sources	<u>620,670</u>	<u>620,670</u>	<u>1,993,040</u>	<u>1,372,370</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds (Note A)			100,000	100,000
Transfers To Other Funds	<u>(2,222,587)</u>	<u>(2,222,587)</u>	<u>(1,362,298)</u>	<u>860,289</u>
Total Other Financing Sources (Uses)	<u>(2,222,587)</u>	<u>(2,222,587)</u>	<u>(1,262,298)</u>	<u>960,289</u>
Net Changes in Fund Balances	(1,601,917)	(1,601,917)	730,742	2,332,659
Fund Balances - Beginning	<u>1,601,917</u>	<u>1,601,917</u>	<u>7,386,650</u>	<u>5,784,733</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,117,392</u>	<u>\$ 8,117,392</u>

Note A: These proceeds were for the Sheriff's vehicle lease.

**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 2,109,913	\$ 2,109,913	\$ 2,313,189	\$ 203,276
Miscellaneous	45,229	45,229	81,686	36,457
Interest	800	800	1,213	413
Total Revenues	2,155,942	2,155,942	2,396,088	240,146
<b>EXPENDITURES</b>				
Roads	4,125,173	4,199,415	3,953,226	246,189
Debt Service	258,620	258,620	258,620	
Capital Projects	318,000	248,000	245,226	2,774
Administration	360,748	356,506	283,904	72,602
Total Expenditures	5,062,541	5,062,541	4,740,976	321,565
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,906,599)	(2,906,599)	(2,344,888)	561,711
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	896,599	896,599	340,000	(556,599)
Total Other Financing Sources (Uses)	896,599	896,599	340,000	(556,599)
Net Changes in Fund Balances	(2,010,000)	(2,010,000)	(2,004,888)	5,112
Fund Balances - Beginning	2,010,000	2,010,000	2,063,211	53,211
Fund Balances - Ending	\$ 0	\$ 0	\$ 58,323	\$ 58,323



**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 5,092,143	\$ 5,092,143	\$ 4,608,374	\$ (483,769)
Charges for Services	286,500	286,500	258,686	(27,814)
Miscellaneous	219,600	219,600	241,565	21,965
Interest	500	500	468	(32)
Total Revenues	<u>5,598,743</u>	<u>5,598,743</u>	<u>5,109,093</u>	<u>(489,650)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	4,958,077	4,964,987	4,448,652	516,335
Debt Service	574,304	585,509	520,333	65,176
Administration	1,427,350	1,409,235	1,285,061	124,174
Total Expenditures	<u>6,959,731</u>	<u>6,959,731</u>	<u>6,254,046</u>	<u>705,685</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,360,988)</u>	<u>(1,360,988)</u>	<u>(1,144,953)</u>	<u>216,035</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	1,325,988	1,325,988	1,022,298	(303,690)
Total Other Financing Sources (Uses)	<u>1,325,988</u>	<u>1,325,988</u>	<u>1,022,298</u>	<u>(303,690)</u>
Net Changes in Fund Balances	(35,000)	(35,000)	(122,655)	(87,655)
Fund Balances - Beginning	<u>35,000</u>	<u>35,000</u>	<u>214,546</u>	<u>179,546</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 91,891</u>	<u>\$ 91,891</u>

**Reconciliation of Jail Fund**

Financing Obligation Proceeds - Budgetary Basis	\$
Plus: KACOLT Borrowed Money	<u>103,500</u>
Financing Obligation Proceeds - Modified Cash Basis	<u>\$ 103,500</u>
Expenditures - Capital Projects - Budgetary Basis	\$
Plus: Purchase of Campbell Office Building	<u>103,500</u>
Expenditures - Capital Projects - Modified Cash	<u>\$ 103,500</u>
Transfer To Other Funds - Budgetary Basis	\$
Plus: Transfer to Public Properties Fund	<u>65,175</u>
Transfer To Other Funds - Modified Cash Basis	<u>\$ 65,175</u>
Fund Balance - Budgetary Basis	\$ 91,891
Reconciling Items	<u>(65,175)</u>
Fund Balance - Modified Cash Basis	<u>\$ 26,716</u>

**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>REVOLVING LOAN FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Miscellaneous	\$ 100	\$ 100	\$	\$ (100)
Interest	180	180	144	(36)
Total Revenues	280	280	144	(136)
<b>EXPENDITURES</b>				
General Government	65,930	65,930	12,316	53,614
Total Expenditures	65,930	65,930	12,316	53,614
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(65,650)	(65,650)	(12,172)	53,478
Net Changes in Fund Balances	(65,650)	(65,650)	(12,172)	53,478
Fund Balances - Beginning	65,650	65,650	65,774	124
Fund Balances - Ending	\$ 0	\$ 0	\$ 53,602	\$ 53,602

**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>E-911 FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 200,000	\$ 200,000	\$ 190,318	\$ (9,682)
Intergovernmental	238,000	238,000	233,719	(4,281)
Miscellaneous	100	100		(100)
Interest	1,585	1,585	2,714	1,129
Total Revenues	439,685	439,685	426,751	(12,934)
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,322,097	1,322,097	470,616	851,481
Administration	10,000	10,000		10,000
Total Expenditures	1,332,097	1,332,097	470,616	861,481
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(892,412)	(892,412)	(43,865)	848,547
Net Changes in Fund Balances	(892,412)	(892,412)	(43,865)	848,547
Fund Balances - Beginning	892,412	892,412	1,137,488	245,076
Fund Balances - Ending	\$ 0	\$ 0	\$ 1,093,623	\$ 1,093,623

**CHRISTIAN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The Department for Local Government does not require the county to budget the Industrial Authority Revolving Loan Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation to the General Fund**

Total Revenues - Budgetary Basis	\$ 8,907,484
To adjust for LGEA Fund Revenues	<u>184,344</u>
Total Revenues - Modified Cash Basis	<u>\$ 9,091,828</u>
Total Expenditures - Budgetary Basis	\$ 6,914,444
To adjust for LGEA Fund Expenditures	<u>183,208</u>
Total Expenditures - Modified Cash Basis	<u>\$ 7,097,652</u>
Total Fund Balance - Beginning - Budgetary Basis	\$ 7,386,650
To adjust for LGEA Beginning Balance	<u>22,406</u>
Total Fund Balance - Beginning - Modified Cash Basis	<u>\$ 7,409,056</u>
Total Fund Balance - Ending - Budgetary Basis	\$ 8,117,392
To adjust for LGEA Ending Balance	<u>23,542</u>
Total Fund Balance - Ending - Modified Cash Basis	<u>\$ 8,140,934</u>

**CHRISTIAN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2011**



**CHRISTIAN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2011**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	Federal CFDA #	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed-Through State Department for Local Government			
Community Development Block Grants - State's Program -			
Trilogy Recovery Center	14.228*	07-017	\$ 42,789
Trilogy Recovery Center	14.228*	08-020	500,000
Trilogy Recovery Center	14.228*	10-018	34,608
Trilogy Recovery Center - ARRA	14.255*	08-107A	32,655
Total U.S. Department of Housing and Urban Development			610,052
<u>U.S. Department of Justice</u>			
Passed-Through State Department of Justice:			
Edward Byrne - JAG Grant	16.579	2007-DJ-BX-0833	18,462
Juvenile Justice and Delinquency Prevention	16.540	2006-JF-FX-0054	5,183
Total U.S. Department of Justice			23,645
<u>U.S. Department Of Homeland Security</u>			
Passed-Through Kentucky Department Of Military Affairs:			
Emergency Weather Spotter Grant	97.004		1,800
Emergency Management Performance Grants	97.042		34,360
Total U.S. Department of Homeland Security			36,160
Total Expenditures of Federal Awards			\$ 669,857

\*: Tested as Major Program

The accompanying notes are an integral part of the financial statements.

**CHRISTIAN COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
**Fiscal Year Ended June 30, 2011**

Note 1 – The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Christian County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





Mountjoy  
Chilton  
Medley

The Honorable Steve Tribble, Christian County Judge/Executive  
Members of the Christian County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Christian County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 6, 2012. Christian County's financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Christian County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Christian County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Christian County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Christian County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Christian County's financial statements are free of material misstatements we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the schedule of findings and questioned costs as item 2011-01.

Christian County's response to the finding identified in our audit is included in the schedule of findings and questioned costs. We did not audit their response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Mountjoy Chilton Medley, LLP". The signature is written in a cursive, flowing style.

Mountjoy Chilton Medley, LLP

February 6, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





Mountjoy  
Chilton  
Medley

The Honorable Steve Tribble, Christian County Judge/Executive  
Members of the Christian County Fiscal Court

Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited Christian County, Kentucky's compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Christian County, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Christian County's management. Our responsibility is to express an opinion on Christian County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Christian County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Christian County's compliance with those requirements.

In our opinion, Christian County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Christian County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Christian County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Christian County's internal control over compliance.

Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Mountjoy Chilton Medley, LLP". The signature is written in a cursive, flowing style.

Mountjoy Chilton Medley, LLP

February 6, 2012



**CHRISTIAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2011**



**CHRISTIAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2011**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses unqualified opinions on the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of Christian County, Kentucky.
2. No significant deficiencies, relating to the audit of the financial statements were reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Christian County was disclosed during the audit which would be required to be reported in accordance with Government Auditing Standards.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for major federal awards programs for Christian County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Christian County reported in Part C of this schedule.
7. The programs tested as major programs were: Community Development Block Grant (CFDA# 14.228 and CFDA# 14.255)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Christian County was determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**STATE LAWS AND REGULATIONS**

**2011-01 The Fiscal Court Is Required To Pay For Purchases Within Thirty Working Days**

During our testing we noted 15 invoices for the purchase of food for the detention center where the invoice was not paid within 30 days. KRS 65.140 states, "...all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor." We recommend the fiscal court comply with KRS 65.140 by paying all invoices for goods or services in full within thirty (30) working days of receipt of a vendor's invoice.

*Official's Response: Invoices are paid from the Jail Fund as cash flows permit. County Government will make every effort to comply with KRS 65.140 in the future.*

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None.

**D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

2010-01 The Fiscal Court Is Required To Pay For Purchases Within Thirty Working Days

*Comment was modified and has been repeated in the current year audit*

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**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**CHRISTIAN COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2011**

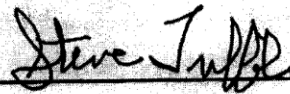
Appendix A



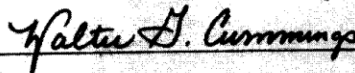
**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**CHRISTIAN COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2011**

The Christian County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in dark ink, appearing to read "Steve Tuller", is written over a horizontal line.

County Judge/Executive

A handwritten signature in dark ink, appearing to read "Walter D. Cummings", is written over a horizontal line.

County Treasurer

